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NOTE ON THE SECOND MEMBERT OF SANDALWOOD

ON THE SANDALWOOD REVENUE.

Dec-85
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As the position in regard to the revenue from sandal (wood and oil) has been causing some anxiety for sometime past owing to various reasons, I have given the matter my careful consideration, and, I proceed to note below a few observations on the matter:-

For the sake of convenience, I shall deal with the subject under the two main heads, Sandalwood and Sandalwood Oil and suggest certain proposals for their exploitation in future.

I. SANDALWOOD.

From the report sent up by Mr. Baker, American Consul, to the U.S.A. Government in 1913, it is clear that 7/8ths of the world's annual requirements was met from our State. No doubt a certain proportion of wood was put on the market by the Madras and the Coorg Administrations, and although this quantity was considerable in the past, yet, just at present, they are trying to put on the market their maxim output which is, by no means, an inconsiderable quantity. There is a certain amount of wood that is obtained from the Islands in the East Indian Archipelago and from Western Australia. But this is not considered to be of the same class as that produced in Mysore.

Recd The average annual output of sandalwood from

from the State has been about 2,000 tons and the price realised in the quinquennium ending 1914 was about Rs.750/- per ton. The revenue from sandalwood was, therefore, $2,000 \times 750$ viz., Rs.15 lakhs. Though a certain quantity of the wood was purchased by Indian dealers, partly for ceremonial purposes and partly for perfumery, yet the major part of the quantity was bought up by outsiders and imported into foreign countries for conversion into oil. Owing to the outbreak of the war in 1914, the purchase of sandalwood by outside buyers practically ceased, and, for two years after the sales practically came to a standstill.

In 1916 the Government started the distillation of sandalwood oil themselves and the sale of wood to the general public was stopped. Although the average annual output per year for the period from 1916-21, has remained the same as before, i.e., about 2,000 tons, yet the price charged to the factories has varied from Rs.850/- to nearly Rs.1,800/- a ton. The revenue per year for which credit has been taken by the Forest Department has, therefore, been about $(2,000 \times 1,350)$ 27 lakhs. From information furnished by the Conservator of Forests, it is seen that the average cost of collecting, preparing and supplying a ton of wood to the factories has been about Rs.200/-. Therefore, the expenditure incurred in supplying 2,000 tons of wood costs the Forest Department 4 lakhs per year. From this it will

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will be clear that while the net revenue to the Forest Department was (15 - 4) 11 lakhs prior to 1914-15, yet in the period between 1916-1921 the net revenue has been shown as (27 - 4) 23 lakhs. In other words it has been shown that the revenue has practically doubled itself, but, that this has been attributable only to adventitious causes will be made clear later.

II. SANDALWOOD OIL.

In 1916 the Government decided on distilling oil from the wood and marketing the finished product instead of the raw produce. This was greatly facilitated by the closing down of the factories in Germany, which had a monopoly of this business, owing to the outbreak of the war. Till 1914 the average price realised per pound of sandalwood oil varied from 12 to 21 shillings, when it steadily went up till 1917, the price standing then at 50 shillings per pound. This continued during the two subsequent years when a downward tendency was perceived. In order to suit the market the price has had to be steadily cut down from 50 shillings to 25 shillings, which is the figure now quoted. This drop in the market is attributable to various causes. They are enumerated below:-

(1) The closing down of the Russian and the Central European market,

(2) Limited sales in England and America owing to the high price quoted,

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(3) Competition from other factories chiefly the Kuppam Sandal Oil Factory,

(4) Competition from Western Australian Sandalwood Oil,

(5) Competition from Macassar oil, mixed with genuine sandalwood oil, or, with synthetic compounds prepared in the laboratory,

(6) Diminution of quantity required for medicinal purposes,

(7) The larger output of sandalwood by the Madras and the Coorg Administrations, and, last but not least,

(8) the existence of our own large stocks of oil in London.

III. PROPOSALS.

It is now, a matter of experience that 100 pounds of good oil can be distilled from one ton of wood. The cost of distillation and marketing is calculated at Rs.5/- per pound. Therefore to distill and market 100 pounds of oil costs Rs.500/-. The cost of supplying wood to the factory for distillation costs Rs.200/- per ton to the Forest Department. Therefore the cost of one pound of oil, ex-factory, is Rs.7/- per pound, made up of Rs.2/- cost incurred by the Forest Department plus Rs.5/- cost incurred by the Factory. This at the rate of Rs.15/- to the pound sterling comes to 10 shillings per pound of oil. Even if the price be fixed at 20 shillings per pound, realizations will be 2,000 tons x 100 lbs. x 20 shs., i.e., £200,000/- or 30 lakhs of rupees. Deducting from this a sum of 14 lakhs (200,000 lbs x 7Rs.) being expenditure incurred, the net profit will be 16 lakhs of rupees. As has been stated in the first paragraph, the revenue which the Forest Department used to make by selling the wood in

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in the open market was about 11 lakhs prior to 1914. The profit which can be credited in favour of the Factory may, therefore, be put at (16 - 11) 5 lakhs. If the Forest Department and the Sandalwood Oil Factory work on a joint basis, that is pooling their resources and getting a proportionate share of the realizations, no fictitious, or inconvenient, value for the sandalwood need be fixed and the price of oil also needlessly enhanced. There will be a ready market for the produce from our average annual output of wood and the profits will not be less than 10 to 11 lakhs for the Forest Department and 5 to 6 lakhs for the Sandalwood Oil Factory. An alternative arrangement would be to deduct expenditure from receipts and to apportion the net revenue between the Forest Department and the Factory in the ratio of 2 to 1. This is a point for future consideration.

As regards the present a very large stock held in London and it seems best to sell this quantity at any price above 20 shillings per pound and to realize the revenue without any further delay. The loss now incurred in losing the interest on the large quantity of oil now held in stock can easily be saved by getting rid of the stock and not waiting for an advance in price, which is exceedingly improbable. The latest London quotation is only ^{about} shs. 22/ — per lb.

Another necessary step is to have one factory only working, and preferably, that at Mysore, which is properly equipped and more

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more centrally situated from the point of view of collecting the raw materials. The Bangalore Factory is best closed.

In the matter of the marketing arrangements, I am strongly of opinion that the present arrangement should be terminated without any further delay, the services of *Sir Alfred Chatterton* being dispensed with, even though it may mean payment of an appreciable sum of money in hard cash. Instead of being treated as a separate Department the Factory may be placed under administrative control of either the Conservator of Forests, or the Director of Industries and Commerce, though the former appears to me to be preferable.

It is desirable that independent agencies should be established, one for India and the East, another for the United Kingdom, a third for the Continent of Europe and a fourth for America. The Commission Agents may be permitted to hold about six months' supply in stock, to render monthly accounts and to make monthly adjustments. The commission paid may be about $2\frac{1}{2}\%$ on the realizations.

At present, the Professors of the Indian Institute of Science act as Consulting Chemists to the Factory and furnish the necessary certificates. Whatever it may have been in the past still there is no reason now why this arrangement should be permitted to continue as experience has proved it to be

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be unsatisfactory. There are Chemists in the State Service who have the necessary qualifications to conduct the required tests and to grant the necessary certificates. Their services may well be laid under requisition for the purpose.

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